

The Energy And Technology Committee

February 21, 2006

Senate Bill 232: AAC Telecommunications Competition

Testimony of

The Office of Consumer Counsel

Mary J. Healey, Consumer Counsel

The Office of Consumer Counsel (OCC) strongly opposes the passage of Senate Bill 232: AAC Telecommunications Competition that seeks to reclassify as competitive, and thereby largely deregulate, the provision of certain telecommunications services, including basic local exchange and interstate toll, by the two Bell companies operating in Connecticut, AT&T and Verizon.

This bill will result in higher prices for telephone customers across the state at a time when electric, natural gas, and cable rates have already skyrocketed. There does not exist evidence sufficient to demonstrate that the massive market power currently possessed by the Bells will be adequately checked by competitive pressures in this state to prevent injury to consumers or the wholesale market.

Competition has been the goal of state telecommunication regulatory law for over a decade now, but this goal has yet to be achieved. The bill requires the General Assembly to issue a legislative fiat simply declaring the market competitive for telephone services, while watering down the existing market protections of C.G.S. § 16- 247f. The legislature has no evidence on which to make this determination.

In fact, the evidence cuts sharply against a legislative declaration that telecommunications services are "competitive." Last year, when a similar statute was proposed, AT&T and MCI were still independent companies and were the most potent competitors of the Bells. Since then, they have both been acquired by AT&T and Verizon, thereby substantially reducing competition in this state.

Consequently, deregulating the state's Bells will create the worst of all economic monsters, the unregulated monopoly. There simply isn't a customer in Connecticut the Bells can't reach and a service they don't

provide. Just last week, the FCC noted that cable operators serve about 70% of all customers who pay for TV broadcasts. In the same FCC docket, AT&T and Verizon have argued that the cable companies "*dominate*" the market for video delivery and threaten the FCC for regulatory relief before they will invest in entering the video market.

The DPUC found last year that SBC Connecticut and Verizon-New York still control **over 90%** of the Connecticut local exchange market. The irony is: how can the Bells claim that 70% is market domination in cable, while claiming that competition is so great in the telephony market, in spite of their own 90% share, they need the radical regulatory change presented by this bill? Ironical, yes, and disingenuous.

This bill is "shoot first and ask questions later": if in July 2007 it is found that the market competitors have less than a 15% collective share of the market, **then** the DPUC must determine whether the competitive services should be reclassified as noncompetitive. Why do that after the horse is out of the barn: why not determine market share now??

If the market is so competitive, why haven't the Bells asked for a DPUC docket in the two years they've been pitching this bill? The FCC has found Connecticut to be one of the least competitive telecommunications markets in the U.S. (bottom 10 states) It is obvious that the Bells know they would not succeed in reclassification without legislative fiat. There is no foundation for this proposed legislative fiat and indeed, the deregulation of the two Bells enacted by this proposed legislation is completely inappropriate and dangerous.

The governor properly vetoed this bill last year due to inappropriate ex parte meetings concerning the HFC network provisions of Section 3. There have been no offers other than those by Arnold Chase's network provider Gemini since AT&T/SBC/SNET abandoned the facility years ago. Who else is expected to buy or lease this network and at what outrageous asking price? AT&T simply does not want to part with the space on the poles, let alone aid a potential competitor by selling or leasing this ratepayer-financed asset to them.

The OCC urges every member to vote against SB232 since it will result in higher prices for consumers, less investment in the state, and fewer telecommunications jobs since it is anticompetitive.

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- The OCC urges every member to vote against SB-232 since it will result in higher prices for consumers, less investment in the state, and fewer telecommunications jobs since it is anticompetitive.
- This bill will result in higher prices for telephone customers across the state at a time when electric, natural gas, and cable rates have already skyrocketed.
- The evidence is insufficient that the massive market power currently possessed by the Bells will be adequately checked by competitive pressures to prevent injury to consumers or the wholesale market.
- The bill requires the General Assembly to issue a legislative fiat simply declaring the market competitive for telephone services, yet there is no evidence for this proposed legislative fiat.
- It is obvious that the Bells know they would not succeed in service reclassification without legislative fiat.
- Last year, when a similar statute was proposed, AT&T and MCI were still independent companies and were the most potent competitors of the Bells. Since then, they have both been acquired by SBC and Verizon, thereby substantially reducing competition in this state.
- Cable operators have a 70% market share in pay TV and the Bells claim that is "market domination". Yet, the DPUC determined the Bells have over 90% of the state's telephone market: truly, a monopoly market share. The FCC has found Connecticut to be one of the least competitive telecommunications markets in the U.S. (bottom 10 states).
- Deregulating the state's Bells, as this bill will do, will create the worst of all economic monsters, the unregulated monopoly.
- This bill is "shoot first and ask questions later": legislative fiat followed by an examination in July 2007 if necessary. Why do that after the horse is out of the barn: why not determine market share now??
- The governor properly vetoed this bill last year due to ex parte meetings concerning the HFC network provisions of Section 3. Those provisions are still wrong and should be rejected as anticompetitive.